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2-27985 FIRST FRANKLIN FINANCIAL CORP

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 1992
OR
( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number 2-27985

1st Franklin Financial Corporation
A Georgia Corporation I.R.S. Employer No. 58-0521233
213 East Tugalo Street
Post Office Box 880
Toccoa, Georgia 30577
(404) 886-7571

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at April 30, 1992
Common Stock, par value $100 per share	1,700 shares

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

The following financial statements required hereunder are incorporated by reference from the Company's Quarterly Report to Investors for the Three Months Ended March 31, 1992. See Exhibit 20.1

- Consolidated Statements of Financial Position: March 31, 1992 and December 31, 1991
- Consolidated Statements of Income: Quarters Ended March 31, 1992 and 1991
- Consolidated Statements of Cash Flows: Quarters Ended March 31, 1992 and 1991
- Notes to Consolidated Financial Statements

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information required hereunder is set forth under "Management's Letter" of the Company's Quarterly Report to Investors for the Three Months Ended March 31, 1992. See Exhibit 20.1

PART II. OTHER INFORMATION

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

20.1 Quarterly Report to Investors for the Three Months Ended March 31, 1992.

(b) Reports on Form 8-K:

No reports on Form 8-K were filed during the quarter ended March 31, 1992.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

1st FRANKLIN FINANCIAL CORPORATION
Registrant
BEN F. CHEEK, III

Ben F. Cheek, III
Chairman of Board
A. ROGER GUIMOND

A. Roger Guimond
Principal Financial Officer and
Principal Accounting Officer

Date: May 14, 1992

1st FRANKLIN FINANCIAL CORPORATION
INDEX TO EXHIBITS

Exhibit No. — Page No.

20.1 Quarterly Report to Investors for the Three Months Ended March 31, 1992 4

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Exhibit 20.1

1st FRANKLIN FINANCIAL CORPORATION QUARTERLY REPORT TO INVESTORS FOR THE THREE MONTHS ENDED MARCH 31, 1992

MANAGEMENT'S LETTER

TO OUR INVESTORS:

A decline in consumer loan demand and an increase in liquidations on loans outstanding caused the Company's net receivables (gross receivables less unearned finance charges) to decrease $816,255 (1%) during the first quarter of 1992. Net receivables were $77,966,429 at March 31, 1992 down from $78,782,684 at December 31, 1991. Although net receivables decreased, loan volume was approximately $3,400,000 (16%) higher during the quarter just ended as compared to the same period in 1991.

The Company continued its expansion into Alabama with the opening of 4 new offices during the quarter just ended. This now brings the number of operational offices to 6 in Alabama, 78 in Georgia and 5 in South Carolina.

Average net receivables were $7,261,499 (10%) higher during the quarter just ended as compared to the same quarter a year ago resulting in a $557,278 (11%) increase in interest income. This increase in interest income was the primary factor in the corresponding $647,063 (16%) increase in the Company's net interest income (the margin between the amount the Company earns on loans and investments and the amount the Company pays on securities and other borrowings) during the quarter ended March 31, 1992 as compared to the same period a year ago. Also contributing to the increase in the interest margin was a decrease in the Company's cost of funds due to lower prevailing market rates. Average borrowing cost for the Company decreased to 7.37% during the quarter just ended as compared to 8.59% during the same quarter in 1991. Although overall borrowings increased, the decrease in average borrowing cost allowed the Company to decrease its cost of funds $89,785 (8%) during the comparable periods.

Net charge-offs decreased $175,340 (21%) during the quarter just ended as compared to the same period a year ago. This decrease in net charge-offs led to the $109,103 (30%) decrease in Provision for Loan Losses during the quarter ended March 31, 1992 as compared to the same quarter in 1991.

Cost-of-living and merit salary raises and increased personnel due to new office openings caused personnel expense to increase $130,417 or (5%) during the quarter ended March 31, 1992 as compared to the same quarter a year ago. A decrease in claims of the Company's self-insured group medical plan during the quarter helped offset a majority of the increases in personnel expense.

The Company continued to convert its branch operations to the new enhanced version of computer software and hardware which was begun in 1991. A total of 58 branch offices (65%) have been converted as of March 31, 1992. Increases in depreciation expense related to purchases of fixed assets and increases in computer expenses due to the conversion were primarily responsible for the $135,395 (26%) increase in Occupancy Expense and the $201,796 (18%) increase in Other Operating Expenses during the quarter just ended as compared to the same quarter in 1991. New office openings also contributed to the increase in Occupancy Expense during the quarter just ended.

Effective income tax rates were 29.6% and 27.6% for the quarters ended March 31, 1992 and 1991, respectively. Certain tax benefits provided by law to life insurance companies substantially reduce the life insurance subsidiary's effective tax rate and thus decreases the Company's overall tax rate below statutory rates. The rates increased during the quarter just ended due to the Parent Company and the property insurance subsidiary, which are taxed at higher rates, earning a larger share of the pretax income as compared to the same period a year ago.

Liquidity requirements of the Company are financed through the collection of receivables and through the issuance of public debt securities. Net cash flows from financing activities, excluding bank borrowings, increased $4,240,473 during the first quarter of 1992 as compared to the same period a year ago and collections on loans increased $2,355,387 over the same period. In addition to the securities program, the Company has two external sources of funds through the use of two Credit Agreements. One agreement provides for available borrowings of $21,000,000. Available borrowings were $13,905,000 and $9,852,000 at March 31, 1992 and

(REMAINDER OF PRECEDING PAGE)

December 1991, respectively, relating to this agreement. Another agreement provides for an additional $1,500,000 ($1,000,000 prior to March 23, 1992) for general operating purposes. Available borrowings under this agreement were $1,082,293 and $627,817 at March 31, 1992 and December 31, 1991, respectively. The percentage of outstanding receivables 60 days or more past due decreased to 5.7% of receivables at March 31, 1992 from 6.0% of receivables at December 31, 1991.

1st FRANKLIN FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31, 1992 (Unaudited)	December 31, 1991 (Audited)
ASSETS		
CASH AND CASH EQUIVALENTS	$ 8,002,140	$ 7,413,372
LOANS, net	70,198,705	70,747,634
MARKETABLE DEBT AND EQUITY SECURITIES	6,185,041	6,044,790
OTHER ASSETS	5,796,876	5,697,683
TOTAL ASSETS	$90,182,762	$89,903,479
LIABILITIES AND STOCKHOLDER'S EQUITY		
SENIOR DEBT	$34,508,816	$34,110,992
OTHER LIABILITIES	6,369,273	7,408,160
SUBORDINATED DEBT	22,003,483	22,245,523
Total Liabilities	62,881,572	63,764,675
STOCKHOLDER'S EQUITY:		
Common Stock	170,000	170,000
Retained Earnings	27,131,190	25,968,804
	27,301,190	26,138,804
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	$90,182,762	$89,903,479

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

1st FRANKLIN FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

	QUARTER ENDED March 31 (Unaudited)	
	1992	1991
INTEREST INCOME	$ 5,702,744	$ 5,145,466
INTEREST EXPENSE	1,090,542	1,180,327
NET INTEREST INCOME	4,612,202	3,965,139
Provision for Loan Losses	255,035	364,138
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	4,357,167	3,601,001
NET INSURANCE INCOME	1,925,596	1,842,209
OTHER REVENUE	47,091	52,450
OTHER EXPENSES:		
Personnel Expense	2,694,366	2,563,949
Occupancy	660,836	525,441
Other	1,324,269	1,122,473
Total	4,679,471	4,211,863
INCOME BEFORE INCOME TAXES	1,650,383	1,283,797
Provision for Income Taxes	487,997	354,693
NET INCOME	$ 1,162,386	$ 929,104

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

1st FRANKLIN FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
Increase in Cash and Cash Equivalents

	QUARTER ENDED March 31 (Unaudited) 1992	1991
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$ 1,162,386	$ 929,104
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for Loan Losses	255,035	364,138
Depreciation and Amortization	138,803	102,743
Other, net	(65,834)	14,547
(Increase) Decrease in Miscellaneous assets	(52,320)	128,338
(Decrease) in Accounts Payable and Accrued Expenses	(1,038,887)	(357,865)
Net Cash Provided by Operating Activities	399,183	1,181,005
CASH FLOWS FROM INVESTING ACTIVITIES:		
Loans originated or purchased	(13,264,836)	(11,821,251)
Loan payments	13,558,730	11,203,343
Purchases of marketable securities	(288,281)	(1,054,221)
Sales of marketable securities	--	824,020
Redemptions of Securities	200,000	490,000
Principal Payments on Securities	6,152	3,382
Other, net	(177,964)	(31,614)
Net Cash Used in Investing Activities	33,801	(386,341)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in Senior Debt	397,824	138,763
Subordinated Debt issued	949,471	1,238,423
Subordinated Debt redeemed	(1,191,511)	(977,824)
Net Cash Provided by Financing Activities	155,784	399,362
NET INCREASE IN CASH AND CASH EQUIVALENTS	588,768	1,194,026
CASH AND CASH EQUIVALENTS, beginning	7,413,372	6,273,806
CASH AND CASH EQUIVALENTS, ending	$ 8,002,140	$ 7,467,832
Cash paid during the quarter for: Interest	$ 1,275,906	$ 918,055
Income Taxes	80,000	--

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

-NOTES-

1. The accompanying interim financial information of 1st Franklin Financial Corporation and subsidiaries (the Company) should be read in conjunction with the annual financial statements and notes thereto as of December 31, 1991 and for the years then ended included in the Company's December 31, 1991 Annual Report. The Company is a wholly owned subsidiary of 1st Franklin Corporation and therefore earnings per share is not shown.
2. In the opinion of Management of the Company, the accompanying consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the Company's financial position as of March 31, 1992, and December 31, 1991, and the results of its operations and its cash flows for the three months ended March 31, 1992 and 1991. While certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission, the Company believes that the disclosures herein are adequate to make the information presented not misleading.
3. The results of operations for the three months ended March 31, 1992, are not necessarily indicative of the results to be expected for the full fiscal year.

BRANCH OPERATIONS

Jarrell Coffee . . . . . Vice President
Jack Coker . . . . . Vice President
Isabel Vickery . . . . . Vice President

SUPERVISORS

Robert Canfield
Donald Carter
Mike Culpepper
Jimmy Davis
Donald Floyd
Jack Hobgood
Bill Giles
Judy Landon
Tommy Lennon
Ronnie Morrow
Melvin Osley
Bob Seawright
Gaines Snow

OFFICES

Alabama Offices:
Athens
Arab
Clanton
Eufaula
Prattville
Sylacauga

Georgia Offices:
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Albany
Alma
Americus
Athens
Barnesville
Baxley
Blue Ridge
Bremen
Brunswick
Buford
Butler
Calhoun
Canton
Carrollton
Cartersville
Cedartown
Centerville
Chatsworth
Clarkesville
Claxton
Clayton

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Cochran
Commerce
Conyers
Cordele
Cornelia
Covington
Cumming
Dallas
Douglas
Douglasville
Eastman
Elberton
Ellijay
Fort Valley
Gainesville
Garden City
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Hawkinsville
Hazlehurst
Hinesville
Hogansville
Jackson
Jasper
Jefferson
Jesup
Lavonia
Lawrenceville
Madison
Manchester

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McRae
Milledgeville
Monroe
Montezuma
Monticello
Moultrie
Nashville
Newnan
Perry
Royston
Savannah
Statesboro
Swainsboro
Sylvania
Sylvester
Thomaston
Thomson
Tifton
Toccoa
Valdosta
Vidalia
Washington
Winder

South Carolina Offices:
Anderson
Clemson
Easley
Laurens
Seneca

DIRECTORS

W. Richard Acree
President, Acree Oil Company

Ben F. Cheek, III
Chairman and Chief Executive Officer
1st Franklin Financial Corporation

Lorene M. Cheek
Homemaker

Jack D. Stovall
President, Stovall Building Supplies, Inc.

Dr. Robert E. Thompson
Physician, Toccoa Clinic

EXECUTIVE OFFICERS

Ben F. Cheek, III
Chairman and Chief Executive Officer

T. Bruce Childs
President and Chief Operating Officer

A. Roger Guimond
Chief Financial Officer and Chief Accounting Officer

Lynn E. Cox
Secretary

Linda L. Sessa
Treasurer

INVESTMENT CENTER

Lynn Evans Cox
Account Executive

Phoebe P. Martin
Account Executive

Sandra N. Oliver
New Accounts

COUNSEL

Jones, Day, Reavis & Pogue
3300 First Atlanta Tower
Atlanta, Georgia 30383

AUDITORS

Arthur Andersen & Co.
133 Peachtree Street, N.E.
Atlanta, Georgia 30303